MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2017/2018

BBF3104 – OFFSHORE BANKING AND FINANCE

(All sections / Groups)

15 MARCH 2018
2.30 p.m. – 4.30 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of **TWO (2)** pages with **FOUR (4)** questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please print all your answers in the Answer Booklet provided.

QUESTION 1

Boston Consulting Group's 2014 global wealth report estimated that US$8.9 trillion (£5.7 trillion), or approximately 6% of global wealth, was booked in jurisdictions where the owner of the wealth had no legal residence or tax domicile – i.e. offshore – last year, and predicted that the total would rise to US$12.4 trillion by the end of 2018. The Tax Justice Network's financial secrecy index suggests that as much as US$32 trillion is located "untaxed or lightly taxed in secrecy jurisdictions around the world".

Although the owners of that wealth which were estimated around US$8.9 trillion (£5.7 trillion) had no legal residence (non-resident), then why do they place their wealth in the offshore financial centre? Discuss **FIVE (5)** justifications.

(Total: 25 marks)

QUESTION 2

The pressure exerted on the offshore financial centers (OFCs) to comply with anti-money laundering standards continued to yield positive results. Since the beginning of the Financial Action Task Force's (FATF) Non-Cooperative Countries and Territories (NCCT) exercise in 2000, FATF has identified 23 jurisdictions as NCCTs. 16 of the NCCTs have either been OFCs or jurisdictions that offer services commonly associated with OFCs.

While there are well-regulated OFCs, located primarily in the larger, wealthier jurisdictions offering offshore financial services, the primary attraction of the offshore sector remains the frequent existence of legal frameworks. Strengthening the legal frameworks is an issue of critical importance for OFCs' supervisors.

A. Explain what is meant by the legal framework.

(5 marks)

B. Discuss **FOUR (4)** objectives of the offshore financial centre regulator.

(12 marks)

C. Explain the roles of the Financial Action Task Force (FATF); provide an example of the FATF's initiative.

(8 marks)

(Total: 25 marks)

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QUESTION 3

Global Financial Integrity (GFI), a Washington, DC-based research and advisory organization views that every dollar that leaves one country must end up in another. Very often, this means that illicit financial outflows from developing countries ultimately end up in banks in developed countries like the United States and United Kingdom, as well as in tax havens like Switzerland, the British Virgin Islands, or Singapore. The GFI research suggests that about 45% of illicit flows end up in offshore financial centres and 55% in developed countries.

A. Discuss **FOUR (4)** courses of action you would do to minimise the illicit financial flows.

(10 marks)

B. Briefly explain and illustrate an example of an illicit financial flow.

(15 marks)

(Total: 25 marks)

QUESTION 4

When choosing to set up an offshore trust it is important to bear in mind what you wish to achieve from the establishment of that entity. There are several benefits for establishing an offshore trust.

A. Briefly explain how to properly and legally form or create an offshore trust.

(5 marks)

B. Discuss **FOUR (4)** benefits of creating offshore trust.

(20 marks)

(Total: 25 marks)

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